



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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November 15, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

10 November 15, 2016

LORI GLASGOW
EXECUTIVE OFFICER

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF SANTA CLARITA REQUEST FOR SUBORDINATION OF PASS-THROUGH
PAYMENTS TO DEBT SERVICE PAYMENTS ON REFUNDING BONDS AND DELEGATED
AUTHORITY TO APPROVE FUTURE SUBORDINATION REQUESTS
(FIFTH DISTRICT)
(3 VOTES)**

SUBJECT

This is a Joint Recommendation with the County Fire District and Department of Public Works to approve a Resolution to subordinate the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive certain pass-through payments from the Successor Agency to the Redevelopment Agency of the City of Santa Clarita (Successor Agency) to the debt service payments of the Successor Agency's proposed refunding bond issue of 2016 (Refunding Bonds), and provide delegated authority to the Chief Executive Office to review, approve, or deny future requests for subordination.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve a Resolution subordinating the County of Los Angeles', Fire District's and Flood Control District's, right to receive pass through payments from the Successor Agency's Newhall Redevelopment Project Area to the Successor Agency's debt service payments on the Refunding Bonds.
2. Delegate authority to the Chief Executive Officer to approve or deny future requests for subordination from any successor agency in the County of Los Angeles consistent with State Law governing redevelopment dissolution (Dissolution Law) on behalf of the County and its various special districts.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Successor Agency is preparing to refinance tax allocation bonds for the purpose of providing savings to the Successor Agency and the taxing entities, through issuance of the Refunding Bonds. Timely subordinations are required by law upon receipt of a successor agency's request for subordination, which must demonstrate that sufficient funds to pay both debt service and pass through payments to affected taxing agencies will be available when payments are due. The County received the Successor Agency's subordination request on September 27, 2016, and subsequently determined that sufficient revenue will be available as required.

Included in the Resolution is the authority for the Chief Executive Officer to review, approve or deny all future requests for subordination until that delegated authority is revoked or modified by future Board action pursuant to resolution. Under Dissolution Law, refunding of redevelopment bonds can only occur if the successor agency demonstrates that the refinancing will not increase debt payments or extend the terms of the obligation, thus resulting in lower annual debt service that provide savings to the taxing entities. Also under Dissolution Law, requests for subordination can only be disapproved if there is evidence that future property tax receipts will be insufficient to pay both the bond payments and the amounts owed to the taxing entities. There is no discretion that can be applied in instances where sufficient property tax revenue is found to be available. The Chief Executive Office will continue to analyze all requests and verify the property tax projections provided by the successor agency to ensure that all requests are consistent with Dissolution Law.

Delegation of authority to act on future subordination requests will avoid the need to bring these notices to the Board. Chief Executive Office staff will continue to review the subordination requests according to Dissolution Law, including those requests made in relation to special districts or special funds that are governed by the Board of Supervisors. The Chief Executive Office will notify the Board of Supervisors of all future subordination requests and determinations by Board memorandum.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 34177.5(c) authorizes successor agencies to refund outstanding bonds to provide savings to the successor agency. The savings generated by the Refunding Bonds will result in availability of additional funds to the taxing entities, including the County ("Local Taxing Entities"). The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the successor agency will not be able to pay both the debt service payments and the pass-through payments to the Local Taxing Entities. The Successor Agency's tax increment projections for the Refunding Bonds, reviewed by Chief Executive Office, indicate that there will be sufficient coverage to satisfy the debt service payments and the required pass-through payments to the taxing entities. As a result, there will be no fiscal impact to the County, Fire District, or Flood Control District from the proposed subordination.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Prior to the dissolution of redevelopment agencies, Health and Safety Code Section 33607.5 provided that a redevelopment agency could request that the payments required to be made to taxing entities pursuant to Section 33607.5 be subordinated to loans, bonds or other indebtedness. AB X1 26, enacted on June 28, 2011 dissolved redevelopment agencies. AB 1484, a clean-up bill to

AB X1 26, was enacted on June 27, 2012 and provides a mechanism to refund outstanding bonds, including the ability of the successor agency to request that taxing entities subordinate their Section 33607.5 pass-through payments to the agency's bonds.

Section 34177.5 (c) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." Failure to act within 45 days after receipt of the successor agency's requests (in this case, November 11, 2016) constitutes County approval of the successor agency's request to subordinate to the bonds. County Counsel indicates that approving subordination by express resolution, or some other form of direct acknowledgement, is preferable to failing to take action within 45 days.

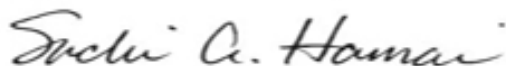
IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no known impact on current services and programs as a result of this action.

CONCLUSION

At such time as your Board approves the attached Resolution, please return one signed copy to the Chief Executive Office, who will assist in distributing copies to the Local Taxing Entities.

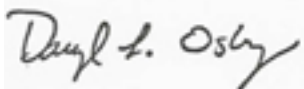
Respectfully submitted,



SACHI A. HAMAI
Chief Executive Officer



GAIL FARBER
Director



DARYL L. OSBY
FIRE CHIEF, FORESTER & FIRE WARDEN

SAH:JJ:DPH:
DSB:RM:ns

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Treasurer and Tax Collector

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES'
RIGHT TO RECEIVE PASS - THROUGH PAYMENTS TO PAYMENTS ON
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE
CITY OF SANTA CLARITA 2016 REFUNDING BONDS**

WHEREAS, Health & Safety Code Section 34177.5(a)(1) authorizes a successor to a former redevelopment agency dissolved by Assembly Bill No. 26 ("AB X1 26") to refund the bonds of the former redevelopment agency for the purpose of generating savings to the successor agency, and Section 34177.5(c) provides that prior to incurring any bonds, the successor agency may subordinate to the bonds the amount required to be paid to an affected taxing entity pursuant to Section 34183(a)(1), provided that the taxing entity approves the subordination; and

WHEREAS, the Successor Agency to the Redevelopment Agency of the City of Santa Clarita (the "Successor Agency") on September 20, 2016, by letter advised its intention to refinance the outstanding 2008 Newhall Redevelopment Project Area ("Project") tax allocation bonds by issuance of the 2016 Bonds (the "2016 Bonds") payable from and secured by a pledge of certain Project tax increment revenues. The Successor Agency, in the same letter, has requested that the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("the Fire District"), and the Los Angeles County Flood Control District ("the Flood Control District") subordinate any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Project to the Successor Agency's payments of principal and interest on the 2016 Bonds; and

WHEREAS, the requested subordination does not lessen or eliminate the Successor Agency's obligation to make the required payments to the County, the Fire District, and the Flood Control District under Section 33607.5, and is intended to permit the Successor Agency to obtain a higher credit rating on its bonds and thus lower the Successor Agency's financing costs; and

WHEREAS, Section 34177.5(c) provides that at the time a successor agency requests an affected taxing entity to subordinate the amount to be paid to it, the successor agency must provide substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the successor agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Successor Agency has presented sufficient evidence demonstrating its ability to make the required payments to the County, the Fire District, and the Flood Control District after payment of debt service on the 2016 Bonds; and

WHEREAS, the County Board of Supervisors is acting as the duly designated governing board of the Fire District and Flood Control District.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

Subordinate the County's Right to Receive
Pass-Through Payments to the Successor Agency to the
Redevelopment Agency of the City of Santa Clarita Project
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The County, the Fire District, and the Flood Control District hereby agree that so long as the 2016 Bonds remain outstanding, any and all payments which the County, the Fire District, and the Flood Control District are entitled to receive from the Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Project to pay the principal of and interest on the 2016 Bonds.

The Board of Supervisors grants to the Chief Executive Office the delegated authority to review and approve all future requests for subordination according to, and consistent with Health & Safety Code Sections 34177.5 and 34183. The Chief Executive Office shall notify the Board of the receipt and approval or denial of all such requests through a Board memorandum on behalf of the special districts.

The foregoing resolution was on the 15th day of November 2016, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.



LORI GLASGOW
Executive Officer Board of
Supervisors of the County of Los Angeles

By Lachelle Amtheman
Deputy

APPROVED AS TO FORM

MARY C. WICKHAM
County Counsel

By Thomas R. Parker
Thomas Parker
Deputy County Counsel